

Message Text

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TAGS: ENRG, CA

SUBJECT: REACTION TO CANADIAN OIL POLICY MEASURES

REF: STATE 177848

1. RESPONSE IN ALBERTA TO THE SEPT 4 ANNOUNCEMENT BY THE CANADIAN GOVERNMENT THAT PRICES WILL BE HELD DOWN BY A SYSTEM OF CONTROLS AND SUBSIDIES WAS FAST, FURIOUS, AND PREDOMINENTLY NEGATIVE, WITH PROVINCIAL GOVERNMENT OFFICIALS AND OIL INDUSTRY SPOKESMEN DIRECTING THEIR CRITICISM AT THE REQUESTED VOLUNTARY FIVE MONTH PRICE FREEZE ON DOMESTICALLY USED PETROLEUM PRODUCTS.

2. ALBERTA GOVERNMENT OFFICIALS STATED THAT THE PROVINCE HAD NOT BEEN CONSULTED IN ADVANCE, AND DEPUTY PREMIER HORNER SAID ALBERTA WAS UNLIKELY TO SIT QUIETLY WHILE AN ATTEMPT IS MADE TO HOLD DOWN THE PRICE OF OIL PRODUCED IN THE PROVINCE, THEREBY REDUCING THE FLOW OF REVENUE TO THE ALBERTA TREASURY.

3. NEARLY EVERYONE OF IMPORTANCE IN ALBERTA'S OIL INDUSTRY HAD UNKIND WORDS FOR THE PRICE FREEZE. SPOKESMEN FOR THE CANADIAN PETROLEUM ASSOCIATION, THE INDEPENDENT PETROLEUM ASSOCIATION, AND INDIVIDUAL COMPANIES WERE UNANIMOUS IN DESCRIBING THE PRICE

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FREEZE ON OIL AS DISCRIMINATORY AGAINST THE INDUSRY, WITH

PETROLEUM BEING THE SOLE PRODUCT AMONG A LONG LIST OF RAW MATERIALS AND MANUFACTURED GOODS SINGLED OUT OF CONTROL. THE ACTION WAS ALSO CONDEMNED ON THE BASIS THAT ARTIFICIAL RESTRICTIONS ON THE PRICE OF OIL WILL DISCOURAGE EXPLORATION, IMPLYING THAT IF THE INDUSTRY ISN'T ALLOWED TO SELL ITS PRODUCTS FOR AS MUCH AS THE MARKET WILL BEAR IT WILL PACK UP ITS RIGS AND GO ELSEWHERE. SYNCRUDE CANADA OFFICIALS ESPECIALLY WERE DISTRESSED OVER WHAT THEY TERMED "THE ADVERSE FACTOR" IN THE DEVELOPMENT OF THE ATHABASCA TAR SANDS.

4. THE INDUSTRY FOUND DISTURBING THE PRIME MINISTER'S REFERENCE TO A MONTREAL OIL PIPELINE, CONTENDING THAT MAINLINING WESTERN CRUDE TO EASTERN CANADA WILL RESULT IN SEVERE PRICE DISTORTIONS WITH INTERNATIONAL MARKETS, AND WILL CAUSE ANXIETY OVER CURRENT EXPORT CONTRACTS AND AGREEMENTS. EQUALLY DISTRESSING WAS INDUSTRY'S REACTION TO THE PERMANENT SYSTEM OF OIL AND PRODUCTS CONTROL WHICH THE PRIME MINISTER ENVISIONS. PETER BAWDEN, CALGARY CP MEMBER OF PARLIAMENT, AND A LEADER FOR PROVINCIAL RIGHTS IN THE OIL AND GAS AREA, CONTENDED THAT A NATIONAL OIL MARKETING BOARD, AS SUGGESTED BY OATTAWA, "WOULD BE A BUREAUCRATIC NIGHTMARE, AND THAT AN EXPORT TAX WOULD MERELY TRANSFER REVENUE TO THE FEDERAL TREASURY FROM THE PROVINCIAL TREASURY, WHERE IT RIGHTFULLY BELONGS".

5. PROVINCIAL GOVERNMENT AND INDUSTRY LEADERS WERE SOMEWHAT MOLLIFIED BY THE PRIME MINISTER'S STATEMENT THAT PERMANENT CONTROLS AND A MONTREAL PIPELINE ARE BOTH CONTINGENT ON THE OUTCOME OF DISCUSSIONS WITH THEM.

6. CONSEQUENTLY, ALBERTA IS AWAITING FURTHER CLARIFICATION BY THE LIBERALS BEFORE CONDEMNING THE GOVERNMENT'S MEASURES AND COMPLETELY UNWARRANTED AND UNWANTED. LOST SOMEWHERE IN THE VAST SMOKESCREEN OVER THE OIL ISSUE WERE THE GOVERNMENT'S ANNOUNCEMENTS OF HIGHER SUBSIDIES ON MILK AND BREAD AND HIKED FAMILY ALLOWANCES, WHICH GENERALLY WENT UNNOTICED IN THE ANGER OF THIS ENERGY-DOMINATED PROVINCE OVER THE OIL PRICE FREEZE.
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